

Data Sheet

USAID Mission:	Romania
Program Title:	Expanding the Market-Driven Private Sector
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	186-0130
Status:	Continuing
Planned FY 2005 Obligation:	\$9,950,000 AEEB
Prior Year Unobligated:	\$597,000 AEEB
Proposed FY 2006 Obligation:	\$7,137,000 AEEB
Year of Initial Obligation:	2002
Estimated Year of Final Obligation:	2007

Summary: USAID's economic growth programs work with financial and capital markets, small and medium enterprises, agriculture and agribusinesses, energy utilities, and water infrastructure. In each of these areas, USAID improves policies and regulations, encourages business competitiveness, increases exports, and promotes the transfer of remaining state assets to private ownership.

Inputs, Outputs, Activities:

FY 2005 Program: Improve Economic Policy and Governance (\$3,050,000 AEEB, \$100,000 AEEB carryover). USAID will continue to support the development of mortgage-backed securities and mortgage bonds, the development of a private pension system, and improved corporate governance for publicly held companies. USAID will assist business associations, chambers of commerce, and government agencies to improve their services for small businesses, and to increase the dialogue between them. USAID will help improve commercial conflict resolution, and the business registration and licensing processes. The highly restrictive Labor Code will be improved, and steps will be taken to simplify the tax code. Anti-money laundering and other fraud-detecting measures at the National Securities Commission and the National Bank of Romania will be improved. In agriculture, technical assistance will support subsidy elimination, improve food sanitation standards, and promote the use of genetically modified seeds to improve productivity.

In cooperation with the Ministry of Communications and Information Technology and the U.S. Embassy, USAID will help the Ministry to create a Computer Emergency Response Team to improve internet security. USAID will complete its work in developing innovative e-government and e-business projects that reduce bureaucracy for local businesses and expand access to communication services in poor rural regions. In the energy industry, USAID's advisors will provide assistance to complete the transition to more liberalized electrical and gas markets, and promote energy efficiency. Appropriate regulations, needed for monitoring energy markets when a new electronic trading marketplace is established, will be drafted.

Increase Private Sector Growth (\$5,800,000 AEEB, \$197,000 AEEB carryover). USAID advisors will work with local private companies and business support organizations in selected industries to improve their competitiveness and exports. USAID will continue to develop the financial markets by introducing new financial instruments such as corporate bonds, initial public offerings, and trade debt instruments. Additional loan capital for micro-lending will be leveraged from the Overseas Private Investment Corporation, the Government of Romania (GOR), and the World Bank and commercial banks. Access to capital for small and medium enterprises will increase through innovative programs such as leveraging remittance funding and promoting leasing through a Development Credit Authority (DCA) guarantee program. Support will be provided to the Agency for Foreign Investment (ARIS), the Export Council, and other relevant government agencies that promote investment into Romania. In the energy sector, USAID's technical assistance will continue to support the privatization of the country's largest thermal power plant. In agriculture, USAID will work with farmers, agribusinesses, and processor associations to improve quality of products, increase access to financing, reduce operational costs, and expand into new markets. USAID's programs will also facilitate financing options for rural enterprises.

DCA (\$300,000 AEEB carryover). USAID will transfer \$300,000 to the DCA for a guarantee program to promote energy efficiency. The program will improve access of municipalities to external sources of financing for municipal infrastructure improvements such as water supply, wastewater and solid waste treatment, rehabilitation of district heating and cogeneration systems, multi-family residential energy efficiency programs, street lighting, and providing schools and hospitals with energy saving equipment.

Improve Sustainable Management of Natural Resources (\$1,100,000 AEEB). USAID will continue to leverage funds from the European Union (EU), International Financing Institutions and private investors for environmental projects. Technical assistance will help four industries and two local water utilities to increase their competitiveness and profitability while complying with environmental regulations.

Partners: Communities, Habitat, Finance (CHF); Deloitte Touche Tomatsu Emerging Markets; Chemonics International; Academy for Educational Development, InterNews, PA Consulting, the U.S. Departments of Agriculture and of the Treasury (primes).

FY 2006 Program: Improve Economic Policy and Governance (\$2,500,000 AEEB). USAID will continue to improve the local business environment by supporting key legislative and policy reforms. Assistance programs will also continue to improve local business associations' ability to provide value added services and advocate for a better business environment on behalf of their members. USAID's support will continue for reform of the pension system, and establishment of a regulatory agency. In agriculture, technical assistance will be provided to governmental agencies and agribusiness associations to improve food safety standards to meet EU requirements and to regulate genetically modified crops. In the energy sector, USAID's assistance will simplify licensing procedures, and promote energy efficiency and a new tariff system.

Increase Private Sector Growth (\$4,137,000 AEEB). USAID will continue to expand market access and improve productivity of small and medium businesses in selected industries. Business support organizations will be strengthened in order to provide business development services to their members. USAID's programs will continue to develop the capital markets, and broaden financing opportunities for private business. Access to capital for small and medium enterprises will increase through innovative programs. USAID will work with agricultural producers and processor associations to increase their productivity, expand access to financing, and expand their markets. The programs will continue to support efficient use of energy as a tool to improve competitiveness and reduce the impact of higher energy costs on poor people.

Improve Sustainable Management of Natural Resources (\$500,000 AEEB). USAID will continue to leverage critical investment from the EU, international financing institutions and private investors for environmental projects.

Partners: Communities, Habitat, Finance (CHF); Deloitte Touche Tomatsu Emerging Markets; Chemonics International; Academy for Educational Development, U. S. Department of Agriculture (primes).

Performance and Results: USAID assistance during the year contributed to \$4.3 million in small business loans, of which \$2.6 million was leveraged from the World Bank and the GOR. USAID also leveraged \$32 million for information technology improvements, and the project on mortgage legislation quadrupled the value of the market that is currently valued at \$928 million. USAID advisors carried out a feasibility study that the GOR will use to justify a \$136 million investment to improve management of water resources. State-owned irrigation equipment was transferred to 174 water users' associations, bringing more than 560,000 hectares under improved private management. USAID leveraged \$80 million from the World Bank to improve irrigation equipment, and \$3.5 million for rural credit from the EU's Pre-Accession Fund. A new fiscal code was adopted that will save enterprises over \$10 million per year, and the time to register a new business dropped from 40 to 28 days. Two electrical distribution and two gas distribution companies were privatized, and a new commercial code for the electricity sector was adopted.

US Financing in Thousands of Dollars

Romania

186-0130 Expanding the Market-Driven Private Sector	AEEB	DA	DCA	ESF
Through September 30, 2003				
Obligations	129,799	3,281	217	1,295
Expenditures	115,675	3,281	0	1,295
Unliquidated	14,124	0	217	0
Fiscal Year 2004				
Obligations	10,742	0	0	0
Expenditures	12,727	0	0	0
Through September 30, 2004				
Obligations	140,541	3,281	217	1,295
Expenditures	128,402	3,281	0	1,295
Unliquidated	12,139	0	217	0
Prior Year Unobligated Funds				
Obligations	597	0	0	0
Planned Fiscal Year 2005 NOA				
Obligations	9,950	0	0	0
Total Planned Fiscal Year 2005				
Obligations	10,547	0	0	0
Proposed Fiscal Year 2006 NOA				
Obligations	7,137	0	0	0
Future Obligations	0	0	0	0
Est. Total Cost	158,225	3,281	217	1,295

